

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

In the Matter of the Verified Notification of Sprint Communications Company L.P. d/b/a Sprint Communications L.P. to Discontinue the Provision of Sprint IONSM Service.

Docket No:

**VERIFIED NOTIFICATION OF SPRINT COMMUNICATIONS COMPANY L.P. D/B/A
SPRINT COMMUNICATIONS L.P. TO
DISCONTINUE THE PROVISION OF SPRINT IONSM SERVICE**

Sprint Communications Company L.P. d/b/a Sprint Communications Company L.P. ("Sprint") hereby submits its Notification pursuant to Illinois Statute 220 ILCS 5/13-406 to discontinue its provision of Sprint IONSM services in Illinois and to transfer the local voice components of Sprint IONSM customers' service to other local service providers ("Notice"). This Notice is not contrary to the public interest. It comports with all of the requirements of 220 ILCS 5/13-406, and Sprint respectfully submits that a Commission investigation into the proposed discontinuance is unnecessary. Sprint's current customers can select from various local service providers, including the incumbent local exchange carrier. Moreover, Sprint will provide multiple notices to its existing Sprint IONSM customers to inform them to choose another local service provider. The customers have ample time to select a new provider. If the Commission investigates this proposed discontinuance of this competitive service, Sprint respectfully requests expedited treatment of the matter in order to manage its Sprint IONSM market withdrawal on a nation-wide basis and to ensure that customer

service is not impacted during this transition. Sprint intends to discontinue its service by December 31, 2001.

I. SUMMARY OF THE NOTICE

Sprint notifies the Commission that it will cease providing Sprint IONSM services to its customer base and it will transfer the customer's local voice service to the customer's local carrier of choice on or before December 31, 2001. The Residential Sprint IONSM (Integrated On-demand Network) Services that Sprint will withdraw are: Residential Sprint ION xt⁴; Residential Sprint ION xt²; and Residential Sprint ION xt¹. The Sprint IONSM Business Services that Sprint will withdraw are Sprint IONSM Business Service Option A and Option B (including B1 and B2). Although Sprint is discontinuing its Sprint IONSM business and consumer services, Sprint will continue offering Sprint Business Direct DSL data services to business customers out of select central offices in the Chicago area.¹

Sprint has developed a customer notification and local transfer plan intended to provide customers with clear information about Sprint's withdrawal of Sprint IONSM services. An email already has been sent by Sprint to its Illinois customers informing them of Sprint's intent to withdraw service. The customer notice contains descriptions of the customer's service options to obtain different voice and data services, the timelines for Sprint's withdrawal, where to find more information, and how to receive credit for costs they incur as a result of the transfer of their local service. The information provided is intended to enhance customer choice and allow a seamless transition to the customer's selected local carrier.

Sprint will generally implement the Customer Notification Plan concurrent with this filing. Attached as Exhibit A is a copy of the first notice that will be sent to customers detailing the withdrawal of Sprint IONSM service. In addition, Sprint will file tariff changes immediately to stop taking new Sprint IONSM customers.

II. BACKGROUND

Sprint is a certificated interexchange telecommunications carrier in Illinois pursuant to Section 13-202, 13-401, and 13-403 of the Public Utilities Act. Moreover, Sprint holds a Certificate of Exchange Service Authority to provide resold and facilities-based local exchange telecommunications services in those portions of the state that are served by Illinois Bell Telephone Company d/b/a Ameritech Illinois ("Ameritech") and GTE North, Incorporated and GTE South, Incorporated ("GTE"), granted in Docket Nos. 96-0141 and 96-0598; and a Certificate of Service Authority to provide resold local exchange telecommunication service in those portions of MSA-1 that are served by Central Telephone Company of Illinois ("Centel") and those portions of the state outside of MSA-1 served by Centel, granted in Docket Nos. 96-0261 and 97-0295. Subsequently, Centel sold its exchanges in Illinois to Ameritech and Gallatin River.

Sprint has provided Sprint IONSM local exchange service since July, 2001 and currently has less than 250 customers. All local voice Sprint IONSM service offerings are provided out of Sprint's current tariff Illinois C.C. Local Exchange Tariff No. 6.

Sprint plans to withdraw from the provision of Sprint IONSM services but will continue to offer its core interLATA and intraLATA long distance service. Sprint also

¹ Eligible Sprint IONSM Business Service Option A and Option B (including B1 and B2) customers will be informed that they can transition the data portion of their Sprint IONSM service to Sprint Business

will continue to explore various local strategies in an effort to develop a financially viable local product. Given Sprint's strong interest to compete in the local residential and business market and the possibility that a new local service plan, whether a wireless or wireline facilities-based service, might incorporate a resale and/or facilities approach, Sprint's local exchange service certificates should remain unmodified.

III. BUSINESS RATIONALE

Sprint believes its Sprint IONSM vision, that of an integrated local and long distance, voice and data service, continues to be the correct vision for the future. When Sprint began development of Sprint ION and settled on the use of an ATM infrastructure, the industry did not have any soft-switch suppliers and IP protocol lacked quality of service characteristics that would allow quality voice services to be provided. These technological problems were overcome and Sprint produced a product that successfully delivered Sprint IONSM service.

While Sprint worked through the tremendous technical challenges presented by Sprint IONSM, full deployment of ION would still require significant additional capital and continuing losses for several years as the customer base is built. As the Commission is well aware, the telecom industry and the economy in general have been under significant revenue and earnings pressure in recent months. Intense competition in the traditional long distance industry has limited Sprint's ability to internally finance all of Sprint's business plans. Externally, Wall Street now demands a more immediate return for its investment dollars and will not finance products such as Sprint IONSM with a long capital recovery cycle and significant near term losses.

Direct DSL data services.

Several factors combine to produce the difficult financial future that would face Sprint IONSM. In order to offer Sprint IONSM to the mass market, Sprint needs high-speed capable access to end user locations such as the ILEC copper loops. On a national basis, the copper loop facilities of the ILECs that are capable of offering DSL from central offices do not reach a majority of the potential customers of Sprint ION. As a result, Sprint lacks market scope to reach much of the public. In addition, acquisition costs of new customers by Sprint is very high compared with the customer acquisition costs faced by the ILECs as they market high-speed data services, as nearly ubiquitous suppliers, to their existing customers. The differences in customer acquisition costs and market coverage have proven to be significant problems associated with rapid profitability for Sprint IONSM.

Building a customer base is further complicated by the dramatic changes in the market place since Sprint IONSM was first envisioned. Initially, very few consumers enjoyed access to high-speed Internet services. Now, the cable companies, through their deployment of cable modems, and the ILECs, through their deployment of DSL, have already captured many of the potential customers that have a need for high-speed Internet services. Because these customers are satisfied with their recently acquired high-speed data services, migration of these customers to a converged voice and data service such as Sprint IONSM is very difficult.

These internal and external capital constraints, continuing losses as a customer base is built, and increased competition in high-speed data services by entities with a huge existing customer base all led to the very difficult decision by Sprint to discontinue its pursuit of the IONSM strategy.

Finally, in addition to the already formidable business risks associated with local voice entry, there remains a fundamental uncertainty as to the ground rules for competitive entry. Although Sprint believed that the Telecom Act spelled out those ground rules for local competitive entry, litigation and court appeals, both on the federal and state levels, throughout the country have kept Sprint and all other potential competitors in a constant state of uncertainty as to the rates, terms and conditions, and even the availability of unbundled network elements critical to Sprint's business plan. Even now, over five years after the passage of the Act, important elements of the FCC's rules implementing the Act (e.g. combination of elements by the ILECs) are before the U.S. Supreme Court.

IV. CUSTOMER NOTICE

Sprint recognizes that the public interest must guide the formulation of its plan to withdraw the Sprint IONSM local voice services. In that regard, Sprint has developed a comprehensive customer notice plan. As stated above, an email notification already has been sent to affected customers. Sprint IONSM customers will then receive an initial notice concurrent with this Notice filing, informing them of Sprint's Notice to withdraw Sprint IONSM services and informing them how they will be affected by Sprint's proposed withdrawal. (See Exhibit A). Sprint then plans to deliver two additional notices to its customers, one approximately 30 days before its withdrawal of Sprint IONSM service and one approximately seven days prior to withdrawal. In each notice, Sprint will inform customers of their need to select a new local voice provider with Sprint crediting their account for costs they incur as a result

of the transfer of their local service. Sprint plans to discontinue service by December 31, 2001, at the latest.

A proposed schedule for customer notification is as follows:

- ?? First notification letter: To be mailed to Sprint customers the approximately the same day as Sprint's Notice to the Commission is filed.
- ?? Second notification letter: To be mailed to Sprint customers approximately 30 days prior to service cutover/disconnect.
- ?? Third notification letter: To be received by Sprint customers seven days prior to service cutover/disconnect.

During this notice period, customer service representatives staffing the toll-free numbers contained in the letters will be available and trained to provide complete information and customer options.

V. THE DISCONTINUANCE OF SERVICE IS NOT CONTRARY TO THE PUBLIC INTEREST

Sprint's notice of discontinuing Sprint IONSM service, a competitive service, pursuant to 220 ILCS 5/13-406 is not contrary to the public interest. While the statute allows the Commission to investigate the proposed discontinuance, there is no need for the Commission to hold hearings for several reasons. First, the number of customers affected by this discontinuance of service is small. Less than 250 customers are now receiving Sprint IONSM service in Illinois. Sprint already has filed a tariff change stating that Sprint will no longer accept new Sprint IONSM customers. Second, the multiple notices provided by Sprint before its proposed discontinuance date of December 31, 2001 should give the existing customers ample time to select a new local service provider. Third, as set forth in the notice to customers, Exhibit A, Sprint will provide credits to the existing customers to ensure that they incur no

expense in switching providers. Finally, the existing customers can select from several local service providers, including the incumbent local exchange carrier, to obtain the service that Sprint is discontinuing.

In sum, Sprint's discontinuance of service is not contrary to the public interest and there is no need for the Commission to hold hearings. If the Commission determines that hearings are necessary under 5/13-406, Sprint requests that the hearings be held on an expedited basis with a Commission Order effective before Sprint's proposed discontinuance date of December 31, 2001. Sprint also informs the Commission that it will cancel its tariff, Illinois C.C. Local Exchange Tariff No. 6, effective December 31, 2001.

WHEREFORE, Sprint provides the Commission this Verified Notice of Discontinuance of competitive services pursuant to 5/13-406. For the foregoing reasons, the discontinuance of service is not contrary to the public interest and a Commission hearing is unnecessary. If the Commission requires a hearing, Sprint requests that a Commission Order be effective before December 31, 2001. Sprint also notifies the Commission that it will cancel its tariff, Illinois C.C. Local Exchange Tariff No. 6, effective December 31, 2001.

Respectfully Submitted,

Sprint Communications L.P.

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VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF JACKSON)

I, Kenneth A. Schiffman, being duly sworn, state that I am the attorney representing Sprint Communications L.P., that I have read the foregoing Notice, and that the statements contained therein are true and correct to the best of my knowledge and belief.

Kenneth A. Schiffman

Subscribed and sworn to before me this ____ day of _____,
2001.

Notary Public

My Commission Expires:
